

FOREIGN SERVICE DESPATCH

FROM : Amlegation, Budapest

610
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

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	RECD 6/10	N OTHER O USCIA-70 OSD-2 Army: 35 Navy: 30 Air: 24

SUBJECT:

BUDALY ECONOMIC REVIEW - May 31 - June 6, 1957. C.R. 16 OCT. 2
C.R. 3 IN 7 XMB. 3 AC 8

National Assembly this week saw "discussion" of budget which calls for 52,600 million forint income and 51,800 million forint expenditures. Istvan Antos, Finance Minister, stated that expenditures for economic purposes would amount to 33,700 million forints; relatively large figure of 7,800 million forints earmarked for covering state subsidies and deficits of state undertakings. Antos said that 2,600 million forints less would be spent this year than last on defense and administration. (Defense figures for this year given as 1,912 million forints as opposed to last year's 4,000 million forints, Nepszabadsag, June 5). Revenues from taxes and fees estimated to run to 5 billion forints and from state undertakings to 36,200 million forints, the latter 9% below last year's figures. According to Antos, danger of inflation is past and barring accidents regime will not raise prices of consumer goods. (UNCLASSIFIED)

Arpad Kiss, Head of National Planning Bureau, spoke on general economic subjects and predicted fourth quarter industrial production would be 5-8% below results achieved in third quarter 1956. This appears to be first reversal of regime's repeated pronouncements that production would be normal before end of year. Kiss laid production problem at doorstep of raw materials situation but editorial (June 2, Nepszabadsag) on work discipline clearly indicates regime aware that economic problem one of human, rather than material, resources. Kiss stated national income in 1957 would be 9 billion forints, or 9%, below 1956 estimated income of 100 billion forints, but 2 billion forints above 1956 actual national income. Agricultural production is expected to increase by 3% over last year. (OFFICIAL USE ONLY)

Statement by Bela Csikos Nagy, head of National Price Bureau, indicates among other things that regime giving its officials rather wide leeway in discussing problems outside immediate spheres of interest. Csikos Nagy's remark that crop rotation now left up to free choice of peasant and that sugar beet and hemp production disappointing seems clear cut admission that regime (as pointed out in Legdespatch 577 May 22nd) exercising much less control in countryside than formerly.

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Regime plans to set purchase price of wheat at about 200 forints per 100 kilograms this year, according to Csikos Nagy, compared to average surrender-purchase price of 135 forints per 100 kilograms last year. (weighted average of previous surrender price 60 and Govt purchase price 280 per Kilo). Reduction in price of pigs as opposed cattle, increase in prices paid for produce sold in bulk and fixing of minima and maxima free market prices also appear in offing. (OFFICIAL USE ONLY)

During field trip this week Legation officers noted construction of many apartment houses at Nyka, one of investments slated under 1957 plan to be continued. Aluminum plant at Inota still appears largely inoperative. (CONFIDENTIAL)

Change in Hungarian Red Cross leadership announced this week with old line people replacing five professor collegium which managed CARE organization during post-revolutionary period. Regime says move will restore organization's autonomy, but reverse is true. Regime has apparently decided time ripe to remove facade of respectability with which it allowed HRC to face the West. (OFFICIAL USE ONLY)

In press article on uranium mines at Necsek, statement made that practice of passing them off as bauxite mines correctly abandoned. Shipments of ore to Soviet Union said to have been small up to present time. (UNCLASSIFIED)

Keszto Myers, former czar of Hungary's food supply, appointed head of National Federation of Cooperatives vice Zoltan Vas, currently among the Nagy exiles. (UNCLASSIFIED).

Hungarian-Belgian air agreement signed on heels of Hungarian-Dutch agreement concluded recently (Nepszabadsag, May 29th). According to Dutch Legation officer, Budapest, Dutch government not in favor signing agreement with Hungarians but powerful KLM pressure forced issue. (CONFIDENTIAL)

April daily coal production reportedly 70,053 tons. April industrial production given as 92% presumably of same month 1956. (UNCLASSIFIED)

Press states 200,000 people visited Budapest Industrial Fair through Sunday, June 2nd. Fair seems primarily designed for internal propaganda purposes and is dominated by private and cooperative craftsmen's exhibits consumer goods. Export market placed well in background. (Legdes 604, June 4) (OFFICIAL USE ONLY)

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Charge d'Affaires a.i.

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